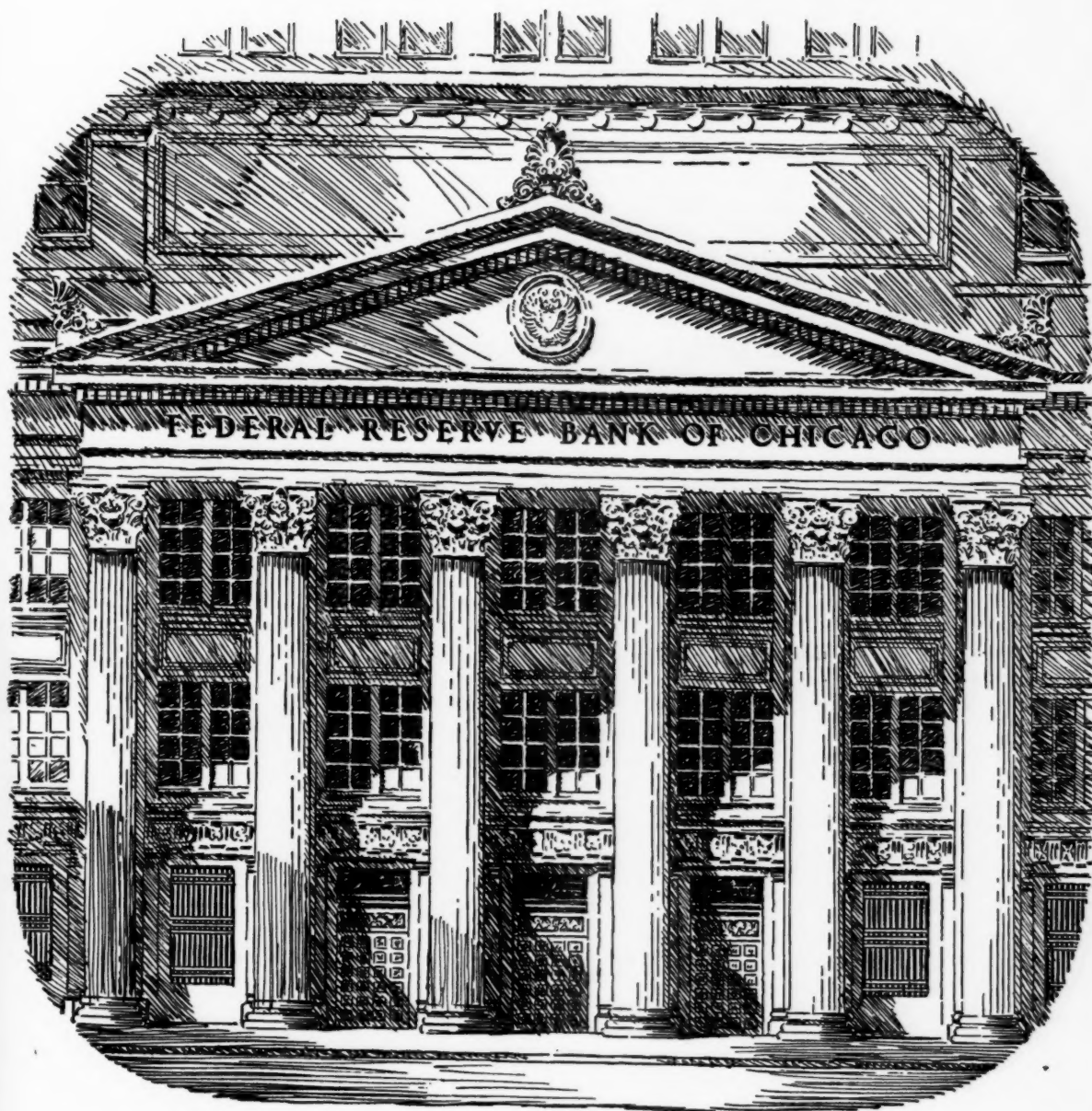


# BUSINESS CONDITIONS



Prepared by the  
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## Monthly Review of Business Conditions in the Seventh Federal Reserve District

### DISTRICT SUMMARY

**M**UCH more definite and numerous indications of expanding activity in Seventh district industry and trade have made their appearance. Nevertheless, with few exceptions, volumes continue to be much below those of a year ago, although the first evidences of a recession were manifesting themselves at that time. Among the noticeably favorable factors in the current situation is that employment and payrolls are rising. The outlook is for abundant crops this year.

#### INDUSTRY

**T**HE majority of important manufacturing industries in this district increased their output in August, considerably so in several instances. The automobile industry furnished an exception to the upward trend, as manufacturers closed their plants preparatory to the introduction of new models. Steel mills of the Chicago area are gradually expanding their operations, and August output from steel and malleable casting foundries and from stove and furnace factories rose sharply over the preceding month. There was a decided increase in building construction during the month, according to data on contracts awarded, and the movement of building materials consequently was accelerated. With orders booked increasing counterseasonally, August shipments of district furniture manufacturers gained much more than is usual for the period. New business of paper mills expanded further in August, and activity showed improvement in relation to a year ago.

Reflecting the higher level of production, the aggregate number of workers employed in Seventh district industries increased slightly in the current reporting period, despite sharp curtailment at automobile factories, and payrolls expanded noticeably.

#### AGRICULTURAL PRODUCTS

**A**T packing houses, creameries, and Wisconsin cheese factories, production was heavy during August. Sales tonnages of meat products and of butter increased over those of the preceding month and last August, but cheese distribution failed to hold up. On September 1, stocks of butter and of cheese were at record high levels, although purchases by Government agencies maintained butter prices. The movement of grains at interior primary markets has been relatively heavy. Feed crop prospects this year are above the 1927-36 average; the outlook for vegetables is excellent in this district.

#### TRADE

**M**OST reporting wholesale trade groups had heavier sales in August than in July, and there were even a few gains recorded over last August. Department store trade in the district expanded more than seasonally and totaled only 10 per cent below that of a year ago when, however, there was one less trading day in the period; through the first half of September sales were running likewise 10 per cent under those of last year. August sales in the retail shoe and furniture trades gained as is usual for the month but were still well below the 1937 level.

#### CREDIT

**T**HERE was a moderate increase in reserve balances of Seventh district member banks between August 17 and September 14, although in the following week a declining trend was operative. Total loans and investments of weekly reporting member banks rose somewhat in the four-week period; demand deposits in these banks showed a rather substantial increase.

### Credit and Finance

#### MEMBER BANK RESERVES

**R**ESERVE balances of Seventh district member banks increased 49 million dollars during the four-week period ended September 14. The district gained 25 millions from the rest of the country through commercial and financial transactions, and Treasury disbursements exceeded receipts by 29 millions. Partially counteracting these factors was a 6 million dollar increase in currency circulation, reflecting the usual seasonal influences.

#### INTEREST RATES

**I**NTEREST rates charged by reporting banks in Chicago, both downtown and outlying, and by the large Detroit banks showed no appreciable changes between August 15 and the middle of September. Recording the sixth successive month-to-month increase, the average rate earned on total loans and discounts by the large downtown Chicago banks exceeded the corresponding July average by a small margin, and was above that for August 1937. The average for several major banks in Detroit also ran above the July figure and, for the first time since this bank originally had comparable figures last December, exceeded the year-ago average.

#### OPEN MARKET PAPER

**S**TATISTICS for August on bankers' acceptances in the Seventh district were rather unfavorable after showing some improvement in July. The three main indicators of activity in the field, new financing through bankers' acceptances, liability for outstandings, and bank holdings of bills, all declined from the corresponding July figures, although an increase is normally expected during August in each case. All margins of decline from the 1937 figures widened over those prevailing in July, as was the case in comparisons with the 1928-37 averages where the percentage decreases approximated 80 per cent. New financing during the first fifteen days of September amounted to only three fifths of the volume in the first half of August, according to preliminary reports from the large Chicago banks, and to about two fifths of that in the corresponding period a year ago.

Sales of commercial paper during August, reported by Middle Western dealers, declined less than seasonally from July, while outstandings on August 31 rose more than is usual over the end of July, the latter item recording the first increase in the monthly comparison since last February. Both sales and outstandings totaled much lower than a year ago and the corresponding 1928-37 averages. Nevertheless, the percentage declines were all smaller than in a

similar comparison for July. Rates continued easy and the supply of paper restricted; demand from banks fell off somewhat, especially from institutions in the larger cities. Commercial paper sales in September, up to the fifteenth of the month, were slightly above those in the first half of August, though aggregating moderately below the volume in the same period of 1937.

## SECURITIES MARKETS

**M**OST of the interest in the Middle Western bond market in August and early September centered around the new issue phase. New corporate issues in August were in the highest volume of any recent month and also well above the total for August 1937. Most of them, however, were refundings of the highest grade. One or two issues of slightly less conservative character were accorded a comparatively indifferent reception, indicating that the market has been making some very fine distinctions. Institutions continued as the largest buyers of bonds. Municipal emissions remained in low volume, contrary to the corporate experience, which scarcity factor offers a possible explanation of the price strength in this field, while some weakness was noticed in corporate quotations, especially among the lower grades. The predominant factor in the market today seems to be the fact that most buyers of bonds are investing other people's money and, through resultant caution as well as because of various legal restrictions, are unwilling to assume the risks inherent in purchases of any but the highest grades of securities.

The \$100,000,000 issue of 91-day Treasury bills dated September 21 sold at an average discount yielding .106 per cent, higher than has been the case for the past few months. Cash subscriptions to the new issues dated September 15, \$400,000,000 of 2½ per cent bonds and \$300,000,000 of 1½ per cent notes, ran far in excess of the allotment. The 1¼ per cent notes maturing December 15 were exchangeable for either of the new issues, but almost all exchanges were for the bonds.

The Chicago Journal of Commerce average of 20 Chicago stocks established a new 1938 high of \$46.16 on August 25, but fell off somewhat in September, standing at \$42.19 on September 21.

## Agricultural Products

### CROP CONDITIONS

**T**HE present outlook is for an abundance of low-priced grain and roughage this year in the Seventh Federal Reserve district to fatten the considerably increased supply of hogs and beef cattle over 1937 and to maintain a large volume of dairy products. Not only are feed crop prospects above the 1927-36 average production, but there is also a liberal carry-over of corn and oats from last season and an almost unprecedented continuance of the luxurious pasture through late summer into early autumn. With a promise of moderately high yields in the relatively large hybrid acreage more than offsetting deterioration along the Missouri River and in a few other dry areas, Seventh district corn prospects increased 23 million bushels during August and thereby more than counteracted some further loss in oats. The progress and condition of corn showed considerable variation among fields and localities but averaged fair to very good on September 20. On lowlands, there was some damage to corn because of floods. More than three

## Selected Seventh District Banking Data

### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Sept. 14 1938	August 17 1938	Change from Sept. 15 1937
Total bills and securities.....	\$ 280	\$ 0	\$ 0
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	279	0	+1
Total reserves.....	2,078	-3	+302
Member bank reserve deposits.....	1,311	+49	+312
All other deposits.....	53	-52	+3
Federal Reserve notes in circulation.....	961	+4	-14
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	89.3%	-0.2*	+1.5*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Sept. 14 1938	August 17 1938	Change from Sept. 15 1937
<b>ASSETS</b>			
Loans and investments—total.....	\$2,879	\$+14	\$-209
Loans—total.....	833	+3	-229
Commercial, industrial, and agricultural loans.....	472	-2	-182
Open-market paper.....	33	-1	-28
Loans to brokers and dealers in securities.....	34	+3	-2
Other loans for purchasing or carrying securities.....	79	0	-16
Real estate loans.....	93	0	+9
Loans to banks.....	3	-1	-2
Other loans.....	119	+4	+10
U. S. Government direct obligations.....	1,347	-5	-88
Obligations fully guaranteed by U. S. Government.....	237	+13	+49
Other securities.....	462	+3	+59
<b>LIABILITIES</b>			
Demand deposits—adjusted*.....	2,303	+74	+33
Time deposits.....	878	+4	+12
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the four weeks ended September 14 was 17.57 times, as compared with 17.51 times in the preceding four weeks and with 21.86 times in the corresponding period of 1937.

### VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	August 1938	Per Cent of Increase or Decrease from July 1938	August 1937
Chicago.....	\$2,518	-2.2	-13.7
Detroit.....	644	-0.9	-30.9
Milwaukee.....	226	-4.7	-14.0
Indianapolis.....	174	-10.6	-5.3
Total four larger cities.....	\$3,562	-2.6	-17.1
37 smaller cities.....	659	-4.4	-14.2
Total 41 centers.....	\$4,221	-2.9	-16.6

### TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	August 1938	August 1937
Total country and city check clearings:		
Pieces.....	11,051,878	10,490,618
Amount.....	\$1,843,045,564	\$2,073,647,125
Daily average clearings:		
Total items cleared—		
Pieces.....	409,329	403,485
Amount.....	\$68,260,947	\$79,755,669
Items drawn on Chicago—		
Pieces.....	71,909	67,288
Amount.....	\$36,440,000	\$41,065,000
Items drawn on Detroit—		
Pieces.....	16,188	17,991
Amount.....	\$6,315,685	\$8,911,539



fourths of the corn was out of frost danger and most of the crop was expected to reach full maturity by early October. Rains and lack of sunshine in September tended to fill out ears on the latest varieties but to delay their maturity beyond the average frost date. Silo filling continued on September 20. Although there was some rotting on the heaviest soil, prospects for late potatoes were generally very good. The outlook for other vegetables was excellent. However, frost on September 19 killed tender garden truck in many areas and stopped corn growth in some localities. Plowing and preparation of seed beds for winter wheat had made rather slow progress because of excessive rainfall in many localities and the dry and cloddy condition of the soil in a few other areas.

## GRAIN MARKETING

### Wheat

ALTHOUGH the movement of wheat at interior primary markets in the United States declined during August from July, receipts were the largest for the month since 1930. In the first half of September reshipments held relatively heavy, but receipts fell off in volume. Activated by continued burdensome world supplies and severe competition among exporting nations for world markets, together with a sharp break in the Winnipeg market, wheat price levels displayed a weakening tendency throughout most of August and the first part of September. The disturbing European political news brought erratic price advances in mid-September; on September 21 quotations for No. 2 hard winter wheat in cash positions at Chicago stood at \$.64½ and \$.68, or about 2 to 4 cents higher than prices of two weeks earlier. In the latter part of August the Government

inaugurated its policy of export subsidies to alleviate heavy domestic supplies. United States visible stocks of wheat have continued to increase but are still below the 1928-37 average.

### Corn and Oats

RECEIPTS and shipments of corn at interior primary markets in the United States declined more than seasonally in August and the first half of September but remained at relatively high levels. Corn exports continued in fair volume, though lower than in July. Prices held firm throughout most of the second half of August, reflecting improved foreign demand and some crop deterioration in the western part of the corn belt. With a slackening in export sales and weakness in surrounding markets, prices declined in the first few days of September, but by mid-September had advanced to month-earlier levels under the influence of the firmer wheat market. Visible supplies declined about one fourth from mid-August to September 17 and stood well below the ten-year average level for the date. The August oats movement showed close to seasonal increases but declined considerably in the first part of September. Oats prices displayed an independent firmness.

#### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	August 1938	July 1938	August 1937	August 1928-37 Av.
Wheat:				
Receipts.....	61,670	102,450	61,353	55,401
Shipments.....	25,044	27,596	25,427	30,916
Corn:				
Receipts.....	16,636	26,677	7,332	16,730
Shipments.....	17,694	24,370	4,559	9,983
Oats:				
Receipts.....	24,824	9,982	24,849	21,819
Shipments.....	10,711	7,254	8,497	8,192

## MOVEMENT OF LIVESTOCK

RECEIPTS of livestock at public stock yards in the United States recorded sizable increases during August over the July movement, and those of hogs and lambs were slightly above August 1937. The movement to inspected slaughter followed roughly trends in receipts and, except for lambs, both receipts and inspected slaughter of livestock continued below the 1928-37 average for the month. Shipments of livestock to feed lots during August were well over those of July; however, these shipments totaled less than a year ago and for cattle below the 1933-37 average.

### MEAT PACKING

ALTHOUGH there was a slight decline in the daily average for August, production for the month as a whole at

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
August 1938.....	202	443	293	59
Federally Inspected Slaughter,				
United States:				
August 1938.....	848	2,467	1,603	457
July 1938.....	820	2,254	1,461	436
August 1937.....	880	1,590	1,498	538
August 1928-37 average.....	872	2,550	1,470	475

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended Sept. 17 1938	Aug. 1938	Months of July 1938	Aug. 1937
Native Beef Steers (average).....	\$10.55	\$10.35	\$10.50	\$14.00
Fat Cows and Heifers.....	8.10	7.75	8.15	9.00
Calves.....	11.00	10.35	9.10	10.00
Hogs (bulk of sales).....	8.35	7.80	8.00	11.85
Lambs.....	7.90	8.40	9.00	10.75

### CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the Basis of September 1 Condition  
(In thousands of bushels unless otherwise specified)

	Seventh District			United States		
	Forecast 1938	Final 1937	Average 1927-36	Forecast 1938	Final 1937	Average 1927-36
Corn.....	980,885	1,140,744	812,711	2,454,526	2,644,995	2,306,157
Oats.....	418,087	544,644	443,866	1,034,347	1,146,258	1,042,461
Winter Wheat.....	69,796	78,012	54,715	688,458	685,102	546,396
Spring Wheat.....	1,834	1,695	3,608	251,514	188,801	206,495
Barley.....	43,628(a)	42,767(a)	48,881(a)	250,360	219,635	234,895
Rye.....	9,993(a)	13,632(a)	7,221(a)	82,500	40,449	36,454
Buckwheat.....	608(a)	616(a)	919(a)	7,194	6,777	8,569
Flaxseed.....	257(b)	195(b)	293(b)	7,992	6,974	13,751
Potatoes (white).....	55,141	51,039	53,249	377,675	393,289	399,693
Potatoes (sweet).....	1,310(c)	1,280(c)	1,127(c)	80,855	75,393	70,274
Sugar Beets.....	1,102(d)	549(d)	751(d)	10,823	8,749	8,383
Apples (total crop).....	14,882(a)	30,403(a)	16,650(a)	132,231	210,673	150,728
Peaches.....	3,193(e)	5,258(e)	3,312(e)	52,780	59,724	52,498
Pears.....	2,400(e)	3,153(e)	1,771(e)	31,779	29,548	24,326
Grapes.....	30(a)	87(a)	77(a)	2,521	2,777	2,197
Beans (dry edible).....	4,765(f)	4,574(f)	3,758(f)	14,209	15,839	12,033
Onions.....	2,709(a)	2,333(a)	3,100(a)	14,606	14,778	13,638
Cabbage for Market.....	198(a)	127(a)	138(a)	1,221	1,015	938
Tomatoes for Market.....	1,548(e)	1,348(e)	1,247(e)	25,529	21,593	18,173
Soybeans.....	34,904(c)	32,833(c)	13,561(c)	41,828(g)	38,128(g)	16,410(g)
Tobacco.....	35,052	26,635	33,665	1,470,224	1,553,465	1,325,245
All Tame Hay.....	19,180	15,360	15,558	81,750	73,785	69,754
Wild Hay.....	490(a)	523(a)	504(a)	10,490	9,302	9,979
Peanut.....	133(h)	259(h)	152(h)	50,832(i)	76,893(i)	61,274(i)
Cranberries.....	64(j)	115(j)	51(j)	530(k)	877(k)	562(k)
Cotton.....				11,825	18,946	13,301
Canning Vegetables:						
Cabbage for Kraut.....	98(l)	55(l)	57(l)	239	153	155
Green Lima Beans.....	3(f)	2(f)	2(f)	25	23	14
Snap Beans.....	25(m)	20(m)	15(m)	123	105	70
Sweet Corn.....	366(n)	496(n)	283(n)	794	979	592
Tomatoes.....	320(o)	523(o)	314(o)	1,440	1,074	1,396

<sup>1</sup>In thousands of tons. <sup>2</sup>In thousands of 100-lb. bags. <sup>3</sup>In thousands of pounds. <sup>4</sup>In thousands of barrels. <sup>5</sup>In thousands of 500-lb. bales. (a) Five States including Seventh Federal Reserve district. (b) Iowa, Michigan, and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana, and Iowa. (f) Michigan and Wisconsin. (g) Six States. (h) Illinois. (i) Twelve States. (j) Wisconsin. (k) Five States. (l) Wisconsin, Michigan, Indiana, and Illinois. (m) Indiana, Michigan, and Wisconsin.

inspected slaughtering establishments in the United States rose counterseasonally by 4 per cent over July; it was not only 23 per cent heavier than a year ago but within one per cent of the 1928-37 average for the month. Furthermore, the tonnage sold, totaling only 3 per cent under the ten-year average, was slightly above current production, 5 per cent larger than in July, and 8 per cent above last August. Payrolls at the close of the period showed respective gains of 3 and 2 per cent in employes and wage payments over a month earlier, but the number of hours worked decreased one per cent. The margin of decline in employment from a year ago was halved during the month; hours worked increased slightly over the 1937 period and wage payments decreased only one per cent. Inventories of packing-house commodities in the United States decreased moderately on September 1 from the beginning of August. Prices weakened markedly from July; total dollar sales billed to domestic and foreign customers declined, therefore, 4 per cent in August from a month earlier and 2 per cent from the 1928-37 August average to a level 13 per cent under a year ago.

#### Foreign Trade

**S**HIPMENTS of packing-house products for export decreased somewhat further in August, principally owing to a decline in lard forwardings to the United Kingdom. Following dragginess during most of August, British demand for United States lard became slightly more active when prices at Chicago reached a low level at the close of the month. English trade in hams was slow during the entire period. Cuban and Porto Rican business remained close to the July level, but there was some improvement in the demand from Czechoslovakia and South American republics. Prices in the United Kingdom and in most of continental Europe remained under the Chicago parity; quotations elsewhere were close to the United States basis. Imports of animal products into the United States increased in August over July.

#### DAIRY PRODUCTS

**W**ITH feed conditions continuing highly favorable and milk production at record levels, manufacture of butter and cheese remained relatively heavy during August. The butter make, as reported by Seventh district firms, was 17 per cent larger than in August 1937, one per cent above the 1928-37 average for the month, and 7 per cent lower than in July. Distribution has been well maintained, August sales increasing 10 per cent over July and totaling one fourth greater than last year in the same month or the ten-year August average. Butter production in the United States has also continued heavy, the August make declining less than seasonally from July and aggregating well over average levels. Bolstered by further heavy purchases by Government agencies, the price of 92 score creamery butter at Chicago held at 25½ cents throughout August and the first three weeks of September. These purchases aggregated about 55 million pounds for the month ended September 21. Holdings of butter in storage in the United States on September 1 reached a new all-time high of over 201 million pounds; this included 68 million pounds of butter held by Government agencies.

Though declining seasonally 13 per cent from July, August production of American cheese in Wisconsin continued in heavy volume, totaling 22 per cent greater than a year ago and 15 per cent above the 1928-37 August average. Distribution of the commodity from primary markets in the State, however, failed to hold up; August

cheese sales fell off 17 per cent from July, and totaled 14 per cent under last August and 5 per cent below the ten-year average for the period. United States stocks of cheese on September 1 were again at a record high; the volume of 150 million pounds was 37 millions greater than 1933-37 average supplies. As a consequence of this unfavorable statistical position, cheese prices continued weak during August and the first half of September.

#### Industrial Employment Conditions

**M**OST reporting industry groups of the Seventh district increased employment and payroll volumes between July and August by appreciable amounts. All of the durable goods groups, with the exception of vehicles, added workers and had heavier payrolls, the increases in the latter item ranging from 7 per cent for metals to 17 per cent for wood products. In the non-durable goods classification, there were no exceptions to the general expansion, wage payments rising by as much as 10 per cent in leather products, 13 per cent in the rubber group, and 20 per cent in the textile industry. The loss within the vehicles group, however, though more moderate than in several earlier months this year, was sufficient to offset practically all of the employment gains contributed by the other manufacturing groups and a considerable portion of the rise in payrolls. Non-manufacturing industries also maintained their aggregate employment volume at about the level of a month earlier, while increasing wage payments, the gain in the latter item being considerably smaller than that contributed by manufacturing groups. The construction industry and coal mining registered sizable expansion during the current period, while public utilities showed a moderate increase and the merchandising group evidenced a slight curtailment. The level of employment and payrolls in practically all groups, manufacturing and non-manufacturing, remained substantially lower than last year—by 30 per cent in the aggregate number of workers employed and by 38 per cent in the total amount of wage payments.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of August 15, 1938			Change from July 15, 1938	
	Reporting Firms	Wage Earners	Earnings (000 Omitted)	Wage Earners	Earnings
	No.	No.	\$	%	%
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,797	319,294	8,058	+ 0.6	+ 6.7
Vehicles.....	423	164,110	5,208	- 8.1	- 2.1
Stone, Clay, and Glass.....	283	18,972	457	+ 4.0	+ 9.0
Wood Products.....	495	40,134	840	+ 5.9	+17.1
Total.....	2,998	542,510	14,563	- 1.7	+ 4.0
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	397	61,423	1,166	+ 6.2	+19.9
Food and Products.....	1,059	117,057	2,866	+ 3.3	+ 0.2
Chemical Products.....	301	33,554	1,017	+ 0.4	+ 3.3
Leather Products.....	175	25,205	532	+ 4.9	+10.4
Rubber Products.....	35	14,341	370	+10.1	+13.3
Paper and Printing.....	736	71,536	2,001	+ 0.7	+ 0.7
Total.....	2,703	323,116	7,952	+ 3.3	+ 4.4
<b>Total Mfg., 10 Groups.....</b>	<b>5,701</b>	<b>865,626</b>	<b>22,515</b>	<b>+ 0.1</b>	<b>+ 4.1</b>
Merchandising <sup>2</sup> .....	5,512	127,957	2,841	- 0.5	- 0.5
Public Utilities.....	1,124	98,660	3,277	+ 0.2	+ 1.4
Coal Mining.....	34	5,110	116	- 0.4	+ 9.2
Construction.....	760	12,054	349	+ 7.3	+ 6.5
<b>Total Non-Mfg., 4 Groups.....</b>	<b>7,430</b>	<b>243,781</b>	<b>6,583</b>	<b>+ 0.1</b>	<b>+ 0.0</b>
<b>Total, 14 Groups.....</b>	<b>13,131</b>	<b>1,109,407</b>	<b>29,098</b>	<b>+ 0.1</b>	<b>+ 3.4</b>

<sup>1</sup>Other than Vehicles. <sup>2</sup>Illinois, Indiana, and Wisconsin.

## Manufacturing

### IRON AND STEEL PRODUCTS

**I**NCREASED demand from the automotive industry and for construction materials, together with buying from miscellaneous sources, caused steel mill operations in the Chicago district to trend gradually upward from mid-August to mid-September. The rate of steel ingot output at the latter time averaged 42 per cent of capacity, or 6 points higher than four weeks earlier. No great volume of buying has developed, however, and the current rate of production is little better than half that prevailing a year ago when the downward trend in activity was beginning to manifest itself. A rather noticeable increase took place during August in pig iron production of the Illinois and Indiana district, but relatively it continued at a low level. Quotations for scrap iron and steel at Chicago had not changed through mid-September.

\* \* \*

Output from steel and malleable casting foundries of the Seventh district expanded definitely in August. Shipments of steel castings gained 38 per cent in tonnage and 33 per cent in dollar value, while those of malleable castings increased 25 and 23 per cent, respectively. Production of the former type of castings rose 48 per cent in tonnage volume and that of the latter type 33 per cent. Orders booked by malleable casting foundries continued to show an increase—12 per cent in tonnage and 8 per cent in dollars—but those received by steel casting foundries, following two months of expansion, recorded a decline amounting to 16 per cent in tons and to 21 per cent in value. Although percentage declines from a year ago remained very large, some reduction in their size was noted in all items for steel casting foundries and in shipments and production at malleable casting foundries.

\* \* \*

Seasonal trends were operative during August in the stove and furnace industry of this district, as shipments, production, and new orders accepted by reporting manufacturers rose substantially over those of the preceding month. The increase in orders booked amounted to 34 per cent, that in shipments to 28 per cent, and in production to 40 per cent. New business totaled slightly better than in the corresponding 1937 month, while shipments and production were less by 23 and 28 per cent, respectively. There was a moderate increase in inventories in the period, but they remained under those of a year ago.

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

**A**S manufacturers completed their 1938 model season, output of automobiles was curtailed in August to the low point for the year and, because this point was not reached until September in 1937, amounted to less than one fourth the volume of last August. Production of passenger vehicles numbered 58,624 in the current period, which is 45 per cent below July output and 81 per cent under that of a year ago, while the number of trucks produced aggregated 31,860, or 8 per cent below the volume of the preceding month and 62 per cent under August 1937.

Although sales of new automobiles in this district were small in volume during August, dealers' stocks were lowered sharply further in the period, and at the end of the month

were only a little better than one fourth as large as on August 31 last year. Sales of used cars in August showed some falling-off, after having gained slightly in the three preceding months. The number of used cars in dealers' hands had been reduced by the end of August to a level almost 30 per cent under that of a year ago.

### DISTRIBUTION OF AUTOMOBILES SEVENTH FEDERAL RESERVE DISTRICT

	August 1938 Per Cent Change from		Companies Included
	July 1938	August 1937	
<b>New Cars:</b>			
Wholesale—			
Number Sold.....	—55.4	—88.4	15
Value.....	—55.6	—86.8	15
Retail—			
Number Sold.....	—24.3	—56.2	28
Value.....	—22.8	—51.3	28
On Hand End of Month—			
Number.....	—42.1	—72.2	28
Value.....	—44.8	—71.7	28
<b>Used Cars:</b>			
Number Sold.....	—9.9	—29.1	28
Salable on Hand—			
Number.....	—10.0	—28.8	28
Value.....	—17.2	—28.8	28

### FURNITURE

**C**ONSIDERABLE improvement was noted during August in the furniture industry of the Seventh district. New orders booked by reporting manufacturers expanded 8 per cent further, contrary to trend for the period, were within 16 per cent of the volume received last August, and slightly exceeded the 1928-37 average for the month. Shipments, though 26 per cent smaller than a year ago, rose 45 per cent, or much more than seasonally, over July and were only 7 per cent lighter than in the ten-year August average. Despite the heavy increase in shipments, they were considerably less than the volume of incoming orders, so that unfilled orders on hand at the end of August aggregated 12 per cent larger than at the close of the preceding month; their ratio to new business was 108 per cent, as against 128 per cent on August 31, 1937. Production schedules were raised 10 points during August to 63 per cent of capacity, this latter rate being about 20 points under that prevailing in the month last year.

### PAPER AND PULP

**S**OME further increase in activity during August was indicated by reports of new orders booked by Seventh district paper mills; and all comparisons with 1937 levels continued to become more favorable, largely because of declining business among paper plants in August 1937. Little change was shown during August in tonnage production of either paper or pulp.

### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	August 1938 Per Cent of Increase or Decrease from	
	July 1938	August 1937
<b>Paper:</b>		
New orders booked (tons).....	+9.9	+23.1
New orders booked (dollars).....	+10.5	+5.8
Total shipments (tons).....	—8.7	+1.9
Total shipments (dollars).....	—4.1	—3.4
Total production (tons).....	—0.4	+0.5
Stocks on hand at end of month (tons).....	+6.3	+20.7
<b>Pulp:</b>		
Pulp produced (tons).....	+1.8	—10.0
Stock on hand at end of month (tons).....	—11.8	+12.3



## Petroleum Refining

**R**UNS of crude oil to stills during August in the Indiana, Illinois, and Kentucky area averaged a little better than the 450,000 barrels daily recorded for July, on a Bureau of Mines basis, and totaled only slightly lower than in the corresponding period of 1937. The operating rate, after reaching 92 per cent of capacity in the week of August 13, had declined to 82 per cent by September 3, but recovered to 86 per cent in the week of September 10. Stocks of finished and unfinished gasoline in the area on September 3 showed a reduction of 10 per cent from four weeks previous.

## The Building Industry

### CONSTRUCTION

**T**HERE was a definite expansion during August in the volume of contracts awarded in the Seventh district, not only for residential building but for all other types of construction. Residential building exceeded the corresponding 1937 volume for the second time this year and public works projects continued as previously on a considerably larger scale than last year. Non-residential building and utilities, on the other hand, while rising even more sharply over the preceding month than did the other classifications, remained at a low level as compared with a year ago.

#### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
August 1938.....	\$49,792,000	\$15,007,000
Change from July 1938.....	+22.8%	+10.0%
Change from August 1937.....	+11.5%	+61.9%
First eight months of 1938.....	\$295,584,000	\$82,951,000
Change from same period of 1937.....	-17.4%	-16.3%

\*Data furnished by F. W. Dodge Corporation.

Permits issued during August in 101 cities of the district gave indications of a well sustained volume of building activity, the estimated cost of the projects contemplated being practically as large as in July, which month, in turn, was slightly above June. The number of permits issued in August totaled 12 per cent more than in July, reflecting a lower average cost per unit. This trend towards lower-cost projects has been especially marked in the yearly comparison which for the current month showed an increase of 5 per cent in the number of permits issued, while the estimated cost was 22 per cent lower. The rising importance of residential building in the construction field accounts largely for these changes.

### MATERIALS

**T**HE increasing volume of building activity in this district was reflected in a heavier demand for building materials during August than in the preceding month, sales in most lines rising by more than the customary percentage amounts. Lumber sales, which in general register little change at this time of the year at either wholesale or retail, expanded in both phases of distribution by 15 per cent, and board-foot sales at retail exceeded the level of a year ago for the first time so far in 1938. Cement shipments and brick deliveries, on the basis of returns received to date, somewhat more than recovered from the temporary setback of a month earlier, though remaining at a level considerably under last year. Collections were reported as

fair during the month, and outstanding accounts of lumber dealers declined in ratio to total sales to a level lower than either a month or a year previous. While stocks of cement remained heavier than in 1937, those of lumber showed some indication of a slight diminishing. Wholesale prices of building materials in general showed little change during the current period, continuing at a level approximately 7 per cent lower than in the same period of 1937.

#### LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	August 1938 Per Cent Change from		Number of Firms or Yards
	July 1938	August 1937	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	+15.4	-26.6	8
Sales in Board Feet.....	+13.0	-32.3	6
Accounts Outstanding <sup>1</sup> .....	-0.4	-33.5	8
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	+22.9	-4.5	159
Lumber Sales in Dollars.....	+15.5	-10.6	77
Lumber Sales in Board Feet.....	+19.5	+5.4	90
Accounts Outstanding <sup>1</sup> .....	+5.4	-10.9	157
Ratio of Accounts Outstanding <sup>1</sup> to Total Dollar Sales during Month			
	August 1938	July 1938	August 1937
Wholesale Trade.....	143.3	166.1	158.3
Retail Trade.....	234.0	273.3	250.1

<sup>1</sup>End of Month.

## Merchandising

### WHOLESALE TRADE

**M**OST wholesale trade groups in the Seventh district reporting monthly figures to the United States Department of Commerce had heavier sales in August than a month previous, the total for all such groups showing a gain of 5 per cent during the period. An exception to the upward trend was noted in groceries where sales recorded a decline of 6 per cent from July to August. In a few instances, among them groceries and tobacco and its products, small increases took place over the corresponding 1937 volumes. Although stocks on August 31 rose slightly in the aggregate over the end of July, they totaled about one fifth lighter than on the same date a year ago, decreases in the electrical goods and hardware groups being especially large.

#### WHOLESALE TRADE IN AUGUST 1938\*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	+2.1	-8.4	-3.7	-5.8
Hardware.....	-20.8	-26.9	-15.4	-25.5
Drugs.....	-7.0	-0.7	+6.3	-6.5
Electrical Goods.....	-30.1	-22.4	-30.1	-35.4
Tobacco and Its Products.....	+3.4	-4.2	-3.8	-4.8
Miscellaneous.....	-16.7	-20.8	-4.0	-0.3

\*Data furnished by Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

### RETAIL TRADE

**S**EVENTH district department store sales expanded somewhat better than seasonally in August over July, increasing 18 per cent in the comparison. They were within 10 per cent of those in August 1937 when the dollar volume sold failed to gain as much as usual for the period and when there was one less trading day in the month. Through the first half of September sales were running likewise 10 per cent behind those of the corresponding year-ago weeks.



# DEPARTMENT STORE TRADE IN AUGUST 1937

Locality	Per Cent Change August 1938 from August 1937		Per Cent Change First Eight Months 1938 from Same Period 1937	Ratio of August Collections to Accounts Outstanding End of July	
	Net Sales	Stocks End of Month		1938	1937
Chicago.....	- 6.6	-15.0	-12.6	28.8	29.0
Detroit.....	-22.8	-18.4	-25.7	36.8	38.1
Fort Wayne.....	-10.1	.....	-12.2	.....	.....
Indianapolis.....	- 3.8	-22.0	- 5.8	33.4	33.7
Milwaukee.....	- 7.9	-14.5	-11.2	35.7	36.7
Peoria.....	+ 2.1	.....	-10.4	.....	.....
Other Cities.....	- 5.2	-11.4	-11.3	29.7	29.8
7th District.....	- 9.7	-15.7	-14.9	32.3	32.9

\*Include Fort Wayne and Peoria.

As is customary, inventories rose somewhat between the close of July and August 31, but aggregated 16 per cent smaller on the latter date than last year at the same time. For the first month since March 1937, stock turnover in August was slightly greater than in the corresponding month a year earlier.

\* \* \*

Following a greater than seasonal recession in July, sales of shoes by reporting dealers and department stores in-

creased less than is usual—6 per cent—in August. This gain compares with one of 9 per cent in the 1928-37 average for August but with a slight decline in the month a year ago. The experience of dealers in the current period was contrary to that of department stores, as sales of shoes by the former fell off rather noticeably from the preceding month, while those by department stores rose sharply. In the comparison with last August, the dollar volume sold totaled 12 per cent smaller in the month this year. Although stocks rose 17 per cent during the current period, they aggregated 12 per cent lighter on August 31 than a year ago.

\* \* \*

As is usual in August, sales of furniture and housefurnishings by dealers and department stores totaled considerably heavier than in the preceding month, the increase amounting to 24 per cent or to only slightly less than in the 1928-37 average for the period. The decrease in business from the volume of last August aggregated only 16 per cent, as against one of 26 per cent in the yearly comparison for July. The experience of dealers in the current month was somewhat more favorable than that of department stores. Stocks on hand at the end of August were fractionally less than a month earlier and remained one fifth smaller than at the same time last year.

## MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

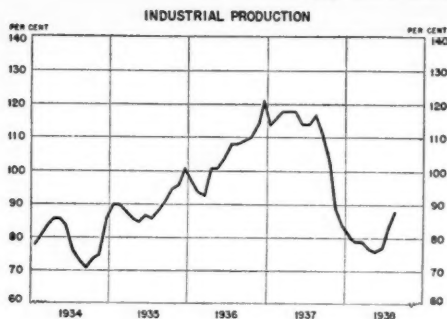
Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.

	No. of Firms	Aug. 1938	July 1938	June 1938	May 1938	April 1938	March 1938	Aug. 1937	July 1937	June 1937	May 1937	April 1937	March 1937
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	45	85	88	86	87	82	83	98	98	99	99	95	95
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	32	25	29	27	27	42	115	111	125	109	119	124
In Tons.....	12	25	19	20	19	18	34	107	107	122	108	123	136
Malleable—In Dollars.....	21	35	28	32	34	34	37	71	65	89	80	85	88
In Tons.....	21	41	33	38	40	41	45	85	80	109	102	112	122
<b>Stores and Furnaces—</b>													
Shipments (in dollars).....	14	158	115	113	123	120	121	219	172	174	202	215	193
<b>Furniture—</b>													
Orders (in dollars).....	33	70	65	46	51	47	56	82	95	68	80	82	96
Shipments (in dollars).....	33	62	43	44	46	54	68	85	68	75	80	92	101
<b>Output of Butter by Creameries—</b>													
Production.....	59	129	139	156	151	101	87	110	131	149	131	90	80
Sales.....	61	156	141	157	138	110	110	126	133	144	123	100	98
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	29	70	57	83	79	82	86	75	66	97	95	93	100
Detroit.....	6	69	61	83	80	94	87	87	84	111	118	117	113
Indianapolis.....	4	84	70	91	95	100	97	86	75	104	110	101	116
Milwaukee.....	5	74	66	83	82	98	95	80	77	98	102	104	105
Other Cities.....	40	72	57	74	77	82	79	75	65	86	91	86	90
Seventh District—Unadjusted.....	84	71	59	82	80	87	86	78	71	99	100	97	102
Adjusted.....	84	87	83	84	79	82	95	96	98	101	99	98	104
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		20	37	47	53	60	59	106	123	140	145	150	138
Trucks.....		85	92	101	99	115	127	220	209	228	243	255	240
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		51	47	46	41	36	34	32	51	57	40	52	52
Total.....		73	59	71	73	53	49	65	77	81	55	69	69
<b>Pig Iron Production*—</b>													
Illinois and Indiana.....		47	39	35	48	52	51	134	127	118	133	130	127

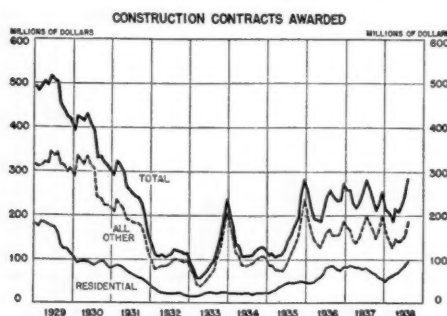
\*Average daily production.

# National Summary of Business Conditions

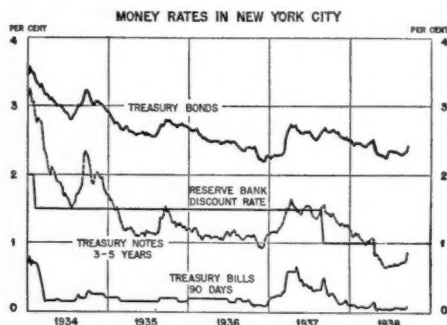
(By the Board of Governors of the Federal Reserve System)



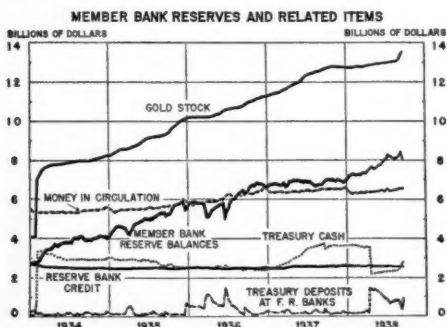
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1938.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for July and August and estimate for September.



Discount rate of Federal Reserve Bank; weekly averages of daily yields on 3- to 5-year Treasury notes and on Treasury bonds callable after 8 years, and weekly average of daily dealers' quotations on 90-day Treasury bills or rate on new bills offered in week. For weeks ending January 6, 1934, to September 17, 1938.



Wednesday figures, January 3, 1934, to September 21, 1938.

**I**NDUSTRIAL activity increased considerably in August and advanced further in September. Factory employment and payrolls also showed a substantial rise in August, and distribution of commodities to consumers increased seasonally.

## PRODUCTION

**V**OLUME of industrial production showed a further considerable increase in August, and the Board's seasonally adjusted index rose from 83 to 88 per cent of the 1923-1925 average. In manufacturing, increases in output were general except in the automobile industry where there was a sharp seasonal decline as plants were closed for inventory taking and for preparations for the shift to new model production. At steel mills, where activity had risen considerably in July, there was a further advance in August and production was at an average rate of 42 per cent of capacity as compared with 35 per cent in the previous month. Output of lumber and plate glass also increased. In the textile industry the sharp advance that had been under way since early summer continued. Mill consumption of wool and cotton increased further, and deliveries of rayon were maintained at the high level reached in July. Shoe production showed a further increase and activity at meat-packing establishments showed less than the usual seasonal decline. Production of bituminous coal and crude petroleum increased somewhat further.

In the first three weeks of September steel ingot production continued to increase, while automobile production remained at the low level reached in August. Output of crude petroleum was reduced, as wells in Texas were closed on both Saturdays and Sundays, whereas in August only Sunday closings had been required.

Value of construction contracts awarded in 37 Eastern States increased considerably in August, according to figures of the F. W. Dodge Corporation. The increase was in publicly-financed projects and reflected partly the expansion of the Public Works Administration program and the award of the first contract for the slum clearance projects of the United States Housing Authority. Awards for private residential building continued at about the same rate as in July and were close to the level reached in the spring of 1937. Commercial building, which had increased in July owing to the award of a contract for a large office building, declined in August to about the level of other recent months.

## EMPLOYMENT

**F**ACTORY employment and payrolls showed a marked rise from the middle of July to the middle of August, while in nonmanufacturing industries employment showed little change. The number employed at factories producing durable goods increased for the first time since the summer of 1937 and in the nondurable goods industries, where employment had increased in July, there was a further rise. Most leading industries reported increases in the number of workers.

## DISTRIBUTION

**D**ISTRIBUTION of commodities to consumers increased seasonally from July to August. Department store sales showed about the usual rise and mail order sales increased, while variety store sales declined. In the first half of September sales at department stores increased more than seasonally.

Freight-car loadings increased somewhat further in August, reflecting chiefly larger shipments of miscellaneous freight.

## COMMODITY PRICES

**P**RICES of silk and rubber showed some advance from the middle of August to the third week of September and there were also increases at the end of the period in nonferrous metals. Wheat prices fluctuated considerably but showed little net change in this period. Prices of cotton and wool declined somewhat, and there were further decreases in prices of some finished industrial products.

## BANK CREDIT

**A**HEAVY inflow of gold from abroad during the five weeks ending September 21 resulted in an increase of over \$500,000,000 in the monetary gold stock. Member bank reserves were increased by Treasury payments for gold acquired but were sharply reduced in the last week of the period by payments to the Treasury for cash purchases of new securities and quarterly income tax collections. As a consequence of these transactions, excess reserves, which had increased to \$3,130,000,000, were reduced to \$2,740,000,000 on September 21.

Total loans and investments of reporting member banks in leading cities increased sharply during August and the first three weeks of September, reflecting chiefly an increase in holdings of United States Government obligations. Balances held in New York City for foreign banks showed a substantial increase.

## MONEY RATES AND BOND YIELDS

**T**HE average yield on long-term Treasury bonds increased in September from the low point reached at the end of August. The average rate on new issues of Treasury bills increased to 0.11 per cent, compared with 0.05 per cent. Yields on high-grade corporate bonds increased slightly.

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**SEVENTH FEDERAL**



**RESERVE DISTRICT**

